

SUBJECT: Professional corporations

COMMITTEE: Judicial Affairs: committee substitute recommended

VOTE: 5 ayes--Tejeda, Gilley, Hinojosa, L. Evans, Patronella
0 nays
4 absent--Green, S. Hudson, Parker, Smithee

WITNESSES: For--Dick Terrell Brown, attorney
Against--None
On--Lorna Salzman, Secretary of State's office

BACKGROUND: The Texas Professional Corporation Act, enacted in 1970, authorizes individuals licensed or certified to render certain services to form professional corporations in this state. Professions covered include lawyers, accountants, architects, dentists, optometrists, veterinarians, chiropractors, and nurses. Until 1983, the Secretary of State allowed professional corporations from out of state to obtain certificates of authority to do business in Texas. However, on March 10, 1983, the Attorney General issued an opinion (JM-7) stating that the Secretary of State had no authority to issue such certificates.

DIGEST: This bill would allow out-of-state professional corporations to apply for certificates of authority to do business in Texas. Such applications would be made in accordance with the Texas Business Corporation Act. At least one director or officer of an out-of-state professional corporation would have to be licensed under Texas law to render the professional service here, as would anyone who rendered professional service in Texas on behalf of the corporation. The professional corporation would have to state in its application that the jurisdiction in which it is incorporated permits the reciprocal admission of professional corporations incorporated in Texas.

SUPPORTERS SAY: Currently, the District of Columbia and 15 other states have statutory provisions for allowing out-of-state professional corporations to do business in their territory. The District of Columbia and five of those states require that in order for an out-of-state

SUPPORTERS
SAY:
(continued)

professional corporation to be admitted to do business, the corporation's home state must permit reciprocal admission of out-of-state professional corporations. Under current law, a Texas professional corporation may be denied permission to do business in another state because Texas has no provisions for allowing out-of-state professional corporations to do business here. This bill would remove a hardship for Texas professional corporations attempting to do business across state lines.

OPPONENTS
SAY:

No apparent opposition

NOTES:

HB 1010 as filed would have required that an out-of-state professional corporation submit a copy of its charter to the Secretary of State. No certificate of authority could have been issued unless that charter set forth the same information Texas requires of in-state professional corporations. Also, HB 1010 as filed would have required that at least one director or officer of the out-of-state professional corporation be a resident of Texas and serve as the corporation's registered agent.